



The Comptroller General
of the United States

Washington, D.C. 20548

Decision

Matter of: Winston Corporation

File: B-229735.2

Date: July 26, 1988

DIGEST

There is no basis to question an agency's decision to retain services in-house rather than contract for them as a result of an Office of Management and Budget Circular A-76 cost comparison where the protester has not shown that the agency in its in-house estimate did not include costs for sandblasting or that the agency's estimate was unreasonable.

DECISION

The Winston Corporation protests an Air Force determination to continue in-house performance of its protective coating management program at Davis-Monthan Air Force Base, Arizona, because it was more economical than contracting with Winston. The Air Force based its determination on a cost comparison under Office of Management and Budget (OMB) Circular A-76 of the agency's in-house estimate with Winston's bid under invitation for bids (IFB) No. F02601-87-B0027.

We deny the protest.

In accordance with the Circular, the Air Force compared the Air Force's estimate of the total costs of continuing in-house performance with the sum of (1) total costs associated with the acceptance of Winston's offer and (2) an OMB imposed 10-percent (of in-house personnel costs) conversion differential. The cost comparison, as adjusted by the Air Force administrative appeal board following an appeal by Winston, was as follows:

Total Contract Costs	\$1,534,922
+ Conversion Differential	112,135
Cost to Government of Contracting	1,647,057
- Total In-House Cost	1,302,295
Amount Saved by Remaining In-House	344,762

In deciding Winston's appeal, the Air Force board found in Winston's favor on several issues and adjusted the cost comparison accordingly. The adjustments, however, did not change the decision to continue the work in-house. Winston now contends that additional adjustments are required by the cost comparison procedures and that these adjustments would change the cost comparison outcome and require an award to Winston. Specifically, Winston contends that the required adjustments would result in its total contract costs, as increased by the conversion differential, being \$7,140 less than the government's in-house estimate.^{1/}

The underlying determination involved in cost comparisons--whether work should be performed in-house by government personnel or performed by a contractor--is a matter of executive branch policy and not within our bid protest function. However, where a contracting agency uses the procurement system to aid in its determination whether to contract out, we will review a protest that a proposal has been arbitrarily rejected to determine if the agency conducted the cost comparison in accordance with applicable procedures. To succeed in its protest, a protester must demonstrate not only that the agency failed to follow established procedures, but that this failure could have materially affected the outcome of the cost comparison. Bay Tankers, Inc., B-227965.3, Nov. 23, 1987, 87-2 CPD ¶ 500.

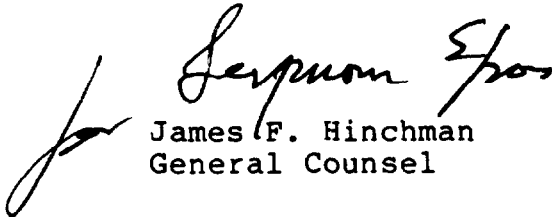
Winston raises numerous issues in its protest, but we need only consider the issue of whether the Air Force failed to include the costs of sandblasting in its in-house estimate. Winston states that it bid \$60,750 to provide the sandblasting services and that this amount should be deducted from its bid because the Air Force estimates did not include an amount for sandblasting services. The Air Force responds that while its Most Efficient Organization (MEO) failed to provide for the performance of sandblasting services this error was adjusted during Winston's administrative appeal. The Air Force, as documented by a written contractor quotation, has arranged to contract out the IFB sandblasting services at 30 cents per square foot. Winston does not state that the Air Force cannot obtain sandblasting services at the rate documented in the quotation and now incorporated in the MEO to perform the sandblasting services or is unreasonable. Rather, Winston argues that the quotation is not

^{1/} For the purposes of this decision, we have not questioned Winston's cost comparison calculations.

credible because it is not notarized and does not specifically refer to the IFB requirements. Winston's statements attacking the form of the quotation, however, do not provide us with any basis to question the Air Force's estimate of the costs of performing the required sandblasting. We deny its protest on this issue.

Since we find that the \$60,750 for sandblasting should not be deducted from Winston's bid because of the subsequent adjustment to the Air Force's estimate, we need not consider Winston's other asserted deficiencies in the cost comparison. Winston's bid would not be less than the in-house estimate because even with a favorable resolution of all of the remaining allegations, Winston's bid is higher by over \$53,000. Raytheon Support Services Co., B-228032.2,
Dec. 30, 1987, 87-2 CPD ¶ 641 at 4.

The protest is denied.


James F. Hinchman
General Counsel